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C O N F I D E N T I A L SECTION 01 OF 02 YEREVAN 000662

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SUBJECT: "A CIVILIZED DIVORCE"--BAGHDASARIAN LEAVES
GOVERNING COALITION, SET TO GIVE UP SPEAKERSHIP

REF: YEREVAN 647

Classified By: DCM A.F. Godfrey for reasons 1.4 (b, d).

SUMMARY

¶1. (C) National Assembly Speaker Artur Baghdasarian formally announced his party's withdrawal from the governing coalition and his intention to step down as Speaker during a press conference May 12. His formal announcement ended intense speculation about his falling out with President Kocharian and his party's (Orinats Yerkir, OY) hemorrhage of nearly half of its members in the National Assembly (NA) over the course of the past week. Baghdasarian announced that he would officially step down as Speaker at the opening of the next regularly-scheduled session of the NA on May 22, with the resignation becoming final five days later (per NA rules). Orinats Yerkir's departure from the governing coalition will not seriously hinder the government's ability to push through its programs, although we expect that routine legislative business will be slowed significantly with the change in NA management. The likely front-runner for Speaker is current Deputy Speaker Tigran Torosyan, a member of the Republican Party, which would lead a minority government. We do not expect the presidential administration's control of key issues will be in any way hindered by these events. The likelihood that this resignation will lead to early elections is close to nil. End Summary.

PULLING OUT OF THE COALITION AND STEPPING DOWN

¶2. (C) In a late meeting on May 11, Orinats Yerkir's governing board decided to leave the governing coalition in the wake of mass defections of key party members in the National Assembly. Referring to the decision to leave the coalition as a "civilized divorce," Baghdasarian was at some pains to present OY's withdrawal from the coalition as amicable, although he also cited policy differences ranging from foreign policy direction to economic policy to anti-corruption efforts. Although technically Baghdasarian would not need to step down as National Assembly Speaker, he decided to submit his resignation on May 22. With Orinats Yerkir's withdrawal from the governing coalition, the three OY ministers will also need to leave their posts -- Minister of Education Sergo Yeritsian, Minister of Culture and Youth Affairs Gevorg Gevorgyan, and Minister of Urban Development Aram Harutyunyan (along with top staff in each of these ministries) will be out of jobs immediately. Minister of Urban Development Harutyunyan attempted to save his position,

however, by leaving Orinats Yerkir in the twelve hours between the party's decision to leave the coalition and Baghdasarian's press conference -- whether he will be successful at keeping his post remains to be seen.

NEW FACES IN THE GOVERNING COALITION?

13. (C) The two other members in the coalition, the Republican Party (with 39 seats) and the Armenian Revolutionary Faction (ARF) Dashnaks (with 11 seats) would no longer control an absolute majority in the National Assembly. Together with the People's Deputy Group (16 seats), technically not part of the coalition, but uniformly voting with the government on all issues, as well as with the United Labor Party (ULP, 6 seats) and other independent members of parliament (mostly businessmen), the remaining two parties of the coalition will still easily control the parliament. During his press conference May 12 Baghdasarian was confident that the governing coalition would continue to function without Orinats Yerkir.

NEXT SPEAKER TOROSYAN?

14. (C) We expect that the next speaker will be the current Deputy Speaker from the Republican Party, Tigran Torosyan. Other potential candidates include Karen Karapetyan, leader of the People's Deputy faction and Deputy Speaker Vahan Hovhanissian (Dashnak). Extremely reserved with none of Baghdasarian's charisma, Torosyan is nonetheless a well-respected legislator, hard-working and, as the NA's

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pointman for interaction with the Council of Europe, well practiced in working with the West. Responding to a question during the press conference, Baghdasarian endorsed Torosyan's candidacy and said he would make an excellent speaker. Torosyan strikes us as someone of integrity (he was deeply, personally pained, for example, that "his" constitution would be forever tainted by the problems with fraud during the November 2005 referendum), more a technocrat than someone with serious personal political ambitions. (Note: Although Torosyan speaks good English, in official meetings he uses only Armenian or Russian. End Note.)

PRESIDENT'S OFFICE: BAGHDASARIAN ASKED TO LEAVE

15. (C) Presidential National Security Advisor Garnik Isaghulyan told us that President Kocharian had pushed Baghdasarian to leave the coalition and his post as NA Speaker during a long discussion May 11. The timing for the Speaker's departure had also been agreed on, Isaghulyan noted. "We expect the next speaker to be from the Republican Party," Isaghulyan told us, claiming that the People's Deputy Faction would "not get in the way." Baghdasarian described the final coalition meeting, held the morning of May 12 with the President, as a "civilized" acknowledgement that it was time to part ways.

COMMENT: PLUS CA CHANGE...

16. (C) Despite the "upheaval" in the political scene, we expect remarkably little genuine change in business as usual in Armenia. The governing coalition retains its hold on power, real decisions continue to be made within the walls of the presidential administration, and the opposition still has no traction within the general population. While Baghdasarian has a certain degree of personal popularity, we do not anticipate that that will be enough to make him a

serious player either before or after the next parliamentary elections.
EVANS